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Credit cards don't eliminate paper—they increase it. And paradoxically, they increase check volume, too. Charles A. Agemian, executive vice-president of Chase and one of the most caustic critics of banks' credit card binges (which he marks down to "herd instinct"), argues that for the most part, credit card sales replace cash sales, and the bills are eventually paid by check. Of course, check-guarantee plans replace some cash sales, too.

Guaranteed checks and overdraft privileges make the step to pre-authorized payments an easier one, says Harold B. Hassinger, executive vice-president of Boston's First National. That's because the customer needn't have the cash in his account at the time.

Big department stores with their own cards have so far given no indication that they'll ever agree to join bank card plans.

Stumbling block. This last fact could prove an enormous stumbling block for the banks, and has played a large role in past failures of bank cards. For instance, when Minneapolis' two largest banks, Northwestern and First National, tried cards in 1958, "the experience was horrendous," remembers Philip B. Harris, Northwestern's executive vice-president. None of the city's "big five" merchants—Dayton's, Sears, Penney, Donaldson's and Wards—would participate. Yet the "big five" control a major chunk of the city's retail market. The banks, which could only sign up small stores, lost their shirts and finally sold off the card plans in 1960 to Economy Finance Corp. of Indianapolis.

The fact is, big department stores have a big banking business of their own going—which they aren't likely to relinquish easily.

Whether they make much direct profit on it is another matter. They clean up on revolving and installment accounts (on which they charge interest), and lose heavily on 30-day charge plans (on which they don't). Sums up Richard Sprague of Touche, Ross, Bailey & Smart, the accountants that specialize in the retailing industry: "Most retailers lose money over-all on their credit business." Two big exceptions: Sears and Penney.

TREBS, along with Booz, Allen & Hamilton, are leading accountants to the banking industry, too. Some day, they may find themselves chief mediators between the two giants. But it will be a tough job.

#### The holdouts

Retailers know there's more to their card plans than just interest rates. For one, cards give them an identity and image in the shopper's pocketbook: A woman with a Macy's card goes to Macy's—and often comes back, in person, to pay the bill, which increases sales all the more. Secondly, retailers who care about customer relations don't want some cold, snobbish banker in the middle if something goes wrong. Thirdly, they consider the information in their customer files pure gold for sales analyses and mail promotions.

All this makes department stores less eager to join in a single system than other industries with cards—oil companies, for example. Mobil has begun accepting bank cards: Though Mobil must pay the banks' discount, the cards vastly increase its service station business. Shell accepts Bank-Americard in California.

Grocery chains are more stubborn holdouts—and are contemplating their own charge plans. Only St. Louis's Mercantile Trust Co. has gained a toehold in this field: It has tied some food stores to its computer to identify customers' credit and check-cashing cards. Meantime, some department stores with established cards are now eyeing their small specialty food departments and are considering a counter-offensive against the banks: expanding their food departments to supermarket size.

Some industries are vehemently against cards altogether, including vending machine makers, into whose products the public drops

some 90-million coins a day. But even these ranks aren't solid. Canteen Corp. has come up with a machine that takes credit cards.

#### A LOOK AHEAD

Whatever happens with credit cards, other moves can definitely be plotted within the next decade. For one, the Fed will begin tying its computers to those of big-city banks. It's already considering a satellite for transmissions among its own regional offices. This project might well evolve into a Comsat-style company, with communications companies, hardware suppliers, and perhaps the public sharing ownership.

Meantime, commercial banks will plunge into pre-authorized payments, and many retail outlets will get terminal hookups with bank computers. Within 10 years, a few people will start getting bank data phones for their homes.

New patterns. Certainly, the shape of the banking industry could undergo great changes. If bank services are as convenient as the nearest telephone, branch banking could eventually wither; in states where laws prohibit branching and many independent neighborhood banks have sprung up—such as Florida, Illinois, and the Great Plains states—telephone banking may encourage many mergers.

The cost of sophisticated computer systems will encourage mergers, too, among medium-sized urban banks. No one who understands banking, though, seriously expects all 14,000 banks to coalesce into a monolith on the order of AT&T, at least not in the few centuries. As it is, the 1966 Bank Merger Act is currently under heavy fire from the Justice Dept., and any attempted merger may get mired for years.

As for rural banks, Fed Governor Mitchell, for one, doubts they will be swallowed up because of the industry's curiously lopsided shape: A full 82% of the nation's deposits are in only 15% of the banks. That means that small-town and country banks have markets too small to entice urban giants. The small banks can still get data processing through their correspondent relationships. In some areas where rural bankers especially distrust city slickers, computer cops are getting under way.

Wary S&Ls. Commercial banks' cousins (and rivals), the savings banks and savings and loan associations, will have to make sure they aren't left out of an electronic payments network. New York University's Dr. Paul S. Nadler, a leading adviser to and student of banking, raises the question: "Will a savings and loan association be given the right to generate savings through automatic movement of funds from individuals' demand deposits into its own checking account [at a commercial bank]? In practice, this is no different from the automatic payment of utility bills."

Nadler hypothesizes that commercial banks, like utilities, might be "forced to act as common carriers do in the transportation business—having to accept business from any and all comers."

Will the public ever do anything but talk to computers in a Checkless Society? One of the great themes of this century is that technologies should liberate people to become more human, but that they may be dehumanizing them on the way. Most bankers are aware that their industry must seek ways to promote personal contact in an electronic banking era. George Mitchell, for instance, wonders if bankers might not become living room financial consultants, a bit like the more tactful examples of insurance agents. Many in banking foresee their business becoming more and more an advisory one.

Electronic money could present many sociological opportunities. Fano at MIT speculates about the possibility of reducing punishments for tax evasion, for example, as the odds of getting caught increase. ABA's

Daie Reistad, in quiet moments, has begun to ponder ways that the lower third of the population can be taught to manage personal finances more effectively—perhaps by bankers who might be recompensed from the savings the government stands to make in a checkless system by not printing, sending, receiving, and storing the 552-million checks it now issues each year.

Monumental task. The sheer complexities of designing an electronic money economy are more than most mortal brains can bear. A certain discouragement is inevitable. "It would take thousands of man-years to convert what everyone wants to computers," says Continental Illinois' Joseph B. Fitzer.

If the banking community wants to avoid an enormous duplication of effort as everyone tries to computerize the same services independently, it may have to make some quiet deals with the Justice Dept. For this reason, some outside the industry are considering sponsoring total bank systems, pre-designed, that would be leased throughout the industry.

Most big banks are likely to resist this sort of intrusion, whether it's economical or not. Extemporizing on the future of the computer utilities, which would provide many services above and beyond banking, MIT's Fano says: "The system, on the surface, must appear to the customer to be a single national system; but underneath, technically and organizationally, it doesn't have to be." On the other hand, he feels that "having a specialized system isn't economical. The private computer system will disappear faster than companies' own power plants" when public electric utilities came into being.

#### Who'll take charge?

No one has any idea who will inherit such a huge new industry. Certainly, those who would like to design and lease bank systems intend to stay in the running. Western Union is one; at least one computer maker is studying the angles. So far AT&T has shown no sign that it wants to provide computer power for others, but it hopes to hold onto the communications lines and to claim a major portion of the rich computer terminal field. Even publishing giants have a stake in the future of the computer utility. The question that visionary bankers are chary of voicing, but that haunts them nonetheless: Why shouldn't the banks themselves be the heirs?

Two lawsuits, little publicized, but highly significant, give some glimpse of the future. In the Twin Cities, a Minneapolis service bureau, Data Systems, Inc., teamed up with the Assn. of Data Processing Service Organizations to bring suit against St. Paul's American National Bank & Trust Co. for selling "nonbanking" computer services. In Providence, R.I., another service bureau is suing Industrial National Bank for the same reason, after the bank took over the city's ailing data processing department. The Minneapolis action was also aimed at the Comptroller of the Currency, William B. Camp, who frankly feels banks should be able to provide new services related to banking, but who refuses to be drawn into discussing legal nuances. The court threw out the case on a technical point this week.

Fading boundaries. The key word is "re-lated," and the courts will likely be a long time untangling its meanings once they come to grips with the issue. The problem is that in a world of high-speed information, "there is no boundary that you can set that is meaningful between one activity and another," says Fano. Traditional industry demarcations are breaking down. The fact is—legal opinions aside—everything is becoming interrelated.

Banks have been performing services peripheral to their saving-lending-fund transfer business for years. All across the country, banks do payroll computations for companies, inventories, accounts payable and

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receivable for stores, lockbox remittance services for oil and insurance companies, realty management for landlords, accounting for doctors and dentists, and mortgage servicing for corporations.

Philadelphia's Fidelity Bank has been running a computer service bureau since 1961, now collects \$1-million a year in fees. Besides performing correspondent services, it does subscription fulfillment (for several Chilton Co. publications), stock transfer work, brokerage accounting, and golf handicapping for the 26,000 members of the Golf Assn. of Philadelphia at \$2.50 a head.

In Dallas, Preston State Bank, in a stragem to gain new accounts, operates a travel agency and a ticket agency for local theatrical productions. One result: When the Beatles appeared in Dallas last year, several thousand people stormed the bank.

Helping Hand. Continental Illinois' Joseph Fitzer says that "for a good customer, we'll entertain any situation that comes to us"—but he emphasizes that the service must be "related" to some normal banking function, no matter how loosely.

The limits are fuzzy indeed, and the frictions are becoming very real. The National Assn. of Insurance Agents sued to stop Georgia's Citizen & Southern from selling insurance. In Massachusetts, a group of travel agents is suing South Shore National Bank for buying a travel agency. In New York, First National City's mutual fund, a natural extension of consumer banking and investment trust operations, has been outlawed by the courts. But Citibank is maneuvering to tie a rider to a bill in Congress to get the law changed.

Meantime, another bill has been introduced to keep banks out of the accounting field; most big accounting firms would just as soon the banks took over the drudgery of accounting so they themselves can move more deeply into management consulting—but many small accountants feel their livelihoods are threatened.

Since the 1930s, banks have been able to underwrite only Treasury securities and municipal general-obligation bonds. At the urging of the industry, the Senate Banking & Currency Committee recently passed a bill that would allow banks to underwrite tax-exempt revenue bonds, too. The bill has now reached Patman's committee in the House, and Wall Street's investment bankers are fighting it tooth and nail.

#### Troubling questions

Two factors set banking apart from all other industries. It can get money, in huge quantities, more cheaply than anyone else—if only by creating credit. Thus, it exercises an undeniable influence over every other industry in the country. Banking also is privy, as financial fiduciary, to reams of crucial information about communities, companies, and individuals.

Just what banks might do with such resources, of course, has been a subject of speculation for centuries. Indeed, in a letter to Elbridge Gerry, the Massachusetts governor and U.S. Vice-President (under Madison) whose name survives in the word "gerrymander," Thomas Jefferson once wrote that "banking institutions are more dangerous than standing armies." They have also proved themselves, over the decades, to be responsible pillars of the nation.

"Theoretically," points out Robert Chaut, president of M. A. Schapiro & Co., the leading U.S. dealer in bank securities, "the banks can do anything." That they have stuck to banking is due mostly to their long-standing conviction that to own industries or to lead nations is to flirt blindly with that capricious wench, Dame Fortune: Kings and economies may rise and fall, but the lender and his spread presumably go on forever.

Whither now? Banks are now bidding to become, in Chaut's words, "the octopus of finance." Behind the bid is a new conscience

in banking, the business that helps all other companies grow. That conscience is asking an understandable, and proper, question: "Why can't banks grow, too?"

It may take 20 years for all the pieces of the so-called Checkless Society to be assembled and synchronized. It may take half a century. The process will bring Olympian struggles and Olympian misunderstandings that may kill the electronic economy when it's only half way home. But, as is usual for Americans, the excitement—and the opportunities—will lie in the dynamics of change itself.

#### LITHUANIAN INDEPENDENCE

Mr. PERCY. Mr. President, in 1918, Lithuanian independence was reestablished. In 1940, that independence was desecrated.

What was done 50 years ago must not be forgotten. What was done 28 years ago must not be forgotten.

And free men will not forget, just as those who have lost their freedom cannot forget.

Today, as we recall the tragic recent history of Lithuania, let us who live in freedom draw strength from the perseverance and courage of the Lithuanian people who have kept alive their national spirit under the most trying and heart-rending circumstances.

When I visited Lithuania just 2 years ago, I rejoiced to find that the national spirit was still strong. Let us pray that this spirit will one day be rewarded with a rebirth of freedom.

#### INTERNATIONAL HEALTH, EDUCATION, AND LABOR PROGRAMS

Mr. YARBOROUGH. Mr. President, I am pleased to announce the establishment of a special subcommittee under the Labor and Public Welfare Committee—the Special Subcommittee on International Health, Education, and Labor Programs. Serving on this new subcommittee with me will be the distinguished senior Senator from Oregon, Senator MORSE, the junior Senator from Rhode Island, Senator PELL, the senior Senator from New York, Senator JAVITS, and the junior Senator from Vermont, Senator PROUTY. The formation of this subcommittee is the culmination of a year of active interest in America's role and responsibility in this area and I would like to thank especially the distinguished chairman from Alabama, Senator HILL, and the chairman of the Education Subcommittee, Senator MORSE, for their support and cooperation.

The first business of this subcommittee will be S. 1779, a bill which I have introduced to establish a quasi-governmental corporation to provide open support for private activities in health, education, labor, and related welfare fields. I ask unanimous consent that this bill be printed at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. YARBOROUGH. Mr. President, I have already heard from private organizations, and representatives of foundations and government programs expressing an interest in testifying at hearings.

We will be particularly interested in

three areas: First, the nature, amount, and effectiveness of current international activities by private organizations; second, the need for governmental assistance; third, the role of an independent agency such as the Foundation proposed, in increasing both the quality and quantity of the private sector's effort.

#### OUR NATIONAL INTEREST

Our vital national interest in this field is well established. For 15 years the Central Intelligence Agency, following National Security Council initiatives, contributed millions of dollars to private organizations involved in international affairs. Although this CIA funding, with all its negative implications, has rightly been stopped, no one can doubt our continuing national interest in seeing private involvement grow.

This interest was further affirmed by the special Presidential Committee established last year after revelations about CIA funding of private organizations. Their report, signed by HEW Secretary John W. Gardner, CIA Director Richard Helms, and Under Secretary of State Nicholas Katzenbach, stated:

It is of the greatest importance to our future and to the future of free institutions everywhere that other nations, especially their young people, know and understand American viewpoints. There is no better way to meet this need than through the activity of private American organizations.

#### WHO WILL MEET NEED?

The question is before us whether this national need will be met. Newspaper reports indicate that the Government has terminated its covert support but is undecided on any new way to meet the need. The New York Times of December 18, 1967, and the Washington Post of December 19, 1967, reported that after 1 year of study the Presidential Commission is deadlocked and will do nothing. I ask unanimous consent that those two articles be printed at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. YARBOROUGH. Mr. President, the amount of support that will be available from the private sector is also in doubt. When organizations 15 years ago were unable to obtain support from private sources, they turned to the Government and received CIA funds. Because the CIA used businessmen and foundations as conduits for their support, the private sector received credit. But now that support must be more than in name only, we must ascertain whether American industry and philanthropy will accept this responsibility. Several organizations have informed me that attempts to raise funds from our largest foundations and corporations have been difficult.

This subcommittee will be particularly interested in determining what existing Government agencies and others will do to support our private organizations' efforts because we are determined that their need will be met.

Only then will we be able to meet the world's real need for cooperation in constructive ventures with people in the developing areas. As Sargent Shriver has observed:

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There is a world election now under way on every continent. The "voting" takes place outside the election booths. The "returns" are measured in terms of people fed, jobs found, schools built, children educated, bodies cured, and economies growing.

There are those who believe we cannot win that election. But we must at least declare our candidacy. And I believe that we can win it.

EXHIBIT 1  
S. 1779

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

## ESTABLISHMENT OF FOUNDATION

SECTION 1. (a) There is hereby established as an independent agency of the Government an International Health, Education, and Labor Foundation (hereinafter referred to as the "Foundation").

(b) The Foundation shall be composed of a Director and an International Health, Education, and Labor Council (hereinafter referred to as the "Council").

(c) The purposes of the Foundation shall be to establish and conduct an international health, education, and labor program under which the Foundation shall provide open support for private, nongovernmental activities in the fields of health, education, and labor, and other welfare fields, designed—

(1) to promote a better knowledge of the United States among the peoples of the world;

(2) to increase friendship and understanding among the peoples of the world; and

(3) to strengthen the capacity of the other peoples of the world to develop and maintain free, independent societies in their own nations.

## DIRECTOR OF FOUNDATION

SEC. 2. (a) The Foundation shall be headed by a Director who shall be appointed by the President, by and with the advice and consent of the Senate. The person nominated for appointment as the Director shall be a distinguished citizen who has demonstrated exceptional qualities and abilities necessary to enable him to successfully perform the functions of the office of the Director.

(b) The Director shall receive compensation at the rate prescribed for level II of the Executive Schedule under section 5311 of title 5, United States Code, and shall serve for a term of five years.

(c) The Director, with the advice of the Council, shall exercise all of the authority granted to the Foundation by this Act and shall serve as chief executive officer of the Foundation.

## COUNCIL

SEC. 3. (a) The Council shall consist of eleven members to be appointed by the President, by and with the advice and consent of the Senate. The persons nominated for appointment as members of the Council (1) shall be eminent in the fields of education, student activities, youth activities, labor, health, scientific research, or other fields pertinent to the functions of the Foundation; (2) shall be selected solely on the basis of established records of distinguished service; and (3) shall not be officers or employees of the Government of the United States. The President is requested, in the making of nominations of persons for appointment as members, to give due consideration to any recommendations for nomination which may be submitted to him by leading private associations, institutions, and organizations concerned with private activities in the fields of health, education, and labor, and other welfare fields related to the purposes set forth in the first section of this Act.

(b) The term of office of each member of the Council shall be six years, except that (1) the terms of the members first appointed shall expire, as designated by the President, three at the end of two years, four at the end of four years, and four at the end of six years after the date of enactment of this Act; and (2) any member appointed to fill a vacancy shall serve for the remainder of the term for which his predecessor was appointed. No member shall be eligible for reappointment during a two-year period following the expiration of his term.

(c) The members of the Council shall receive compensation at the rate of \$100 for each day engaged in the business of the Foundation and shall be allowed travel expenses as authorized by section 5703 of title 5, United States Code.

(d) The President shall call the first meeting of the Council and designate an Acting Chairman. The Board shall, from time to time thereafter, select one of its members to serve as Chairman of the Council.

(e) The Council shall meet at the call of the Chairman, but not less than once every six months. Six members of the Council shall constitute a quorum.

(f) The Council (1) shall advise the Director with respect to policies, programs, and procedures for carrying out his functions, and (2) shall review applications for financial support submitted pursuant to section 4 and make recommendations thereon to the Director. The Director shall not approve or disapprove any such application until he has received the recommendation of the Council thereon, unless the Council fails to make a recommendation on such application within a reasonable time.

(g) The Council shall, on or before the 31st day of January, of each year, submit an annual report to the President and the Congress summarizing the activities of the Council during the preceding calendar year and making such recommendations as it may deem appropriate. The contents of each report so submitted shall promptly be made available to the public.

## GRANTS IN SUPPORT OF PRIVATE ACTIVITIES

SEC. 4. (a) To effectuate the purposes of this Act, the Director is authorized, subject to section 3(f), to make grants to private, nonprofit agencies, associations, and organizations organized in the United States, to public or private nonprofit educational institutions located in the United States, and to individuals or groups of individuals who are citizens of the United States not employed by the Government of the United States, a State or political subdivision of a State or the District of Columbia, for the purpose of enabling them to assist, provide, or participate in international activities, conferences, meetings, and seminars in the fields of health, education, and labor, and other welfare fields related to the purposes set forth in the first section of this Act. No portion of any funds granted under this section shall be paid by the Director, or by any recipient of a grant under this section, to support any intelligence-gathering activity on behalf of the United States or to support any activity carried on by any officer or employee of the United States.

(b) Each grant shall be made by the Director under this section only upon application therefor in such form and containing such information as may be required by the Director and only on condition that the recipient of such grant will conduct openly all activities supported by such grant and make such reports as the Director may require solely to determine that the funds so granted are applied to the purpose for which application is made.

(c) The Director shall develop procedures and rules with respect to the approval or disapproval of applications for grants under this section which will provide, insofar as

practicable, an equitable distribution of grants among the various applicants for such grants and types of activities to be supported by such grants, but which will assure that grants will be made to those qualified recipients most capable of achieving a successful or significant contribution favorably related to the purposes set forth in the first section of this Act. In making grants under this section, the Director shall not impose any requirements therefor or conditions thereon which impair the freedom of thought and expression of any recipients or other beneficiaries of such grants.

(d) The Director may (1) pay grants in such installments as he may deem appropriate and (2) provide for such adjustments of payments under this section as may be necessary, including, where appropriate, total withholding of payments.

## PUBLIC REPORTS BY DIRECTOR

SEC. 5. The Director shall, on or before the 31st day of January of each year, submit an annual report to the President and the Congress setting forth a summary of his activities under this Act during the preceding calendar year. Such reports shall include a list of the grants made by the Director during the preceding calendar year; a statement of the use to which each recipient applied any grant received during the preceding calendar year; and any recommendations which the Director may deem appropriate. The contents of each report so submitted shall promptly be made available to the public.

## GENERAL AUTHORITY

SEC. 6. The Director shall have the authority, within the limits of funds available under section 9, to—

(1) prescribe such rules and regulations as he deems necessary governing the manner of the operations of the Foundation, and its organization and personnel;

(2) appoint and fix the compensation of such personnel as may be necessary to enable the Foundation to carry out its functions under this Act, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service and the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates; except that the salary of any person so employed shall not exceed the maximum salary established by the General Schedule under section 5332 of title 5, United States Code;

(3) obtain the services of experts and consultants from private life, as may be required by the Director or the Council, in accordance with the provisions of section 3109 of title 5, United States Code;

(4) accept and utilize on behalf of the Foundation the services of voluntary and uncompensated personnel from private life and reimburse them for travel expenses, including per diem, as authorized by section 5703 of title 5, United States Code;

(5) receive money and other property donated, bequeathed, or devised, by private, nongovernmental sources, without condition or restriction other than that it be used for any of the purposes of the Foundation; and to use, sell, or otherwise dispose of such property in carrying out the purposes of this Act; and

(6) make other expenditures necessary to carry into effect the purposes of this Act.

## PROHIBITION AGAINST REQUIRING INTELLIGENCE GATHERING

SEC. 7. No department, agency, officer, or employee of the United States shall request or require any recipient or any other beneficiary of any grant made under this Act to obtain, furnish, or report, or cause to be obtained, furnished, or reported, any information relating, directly or indirectly, to any activity supported by such grant, except as is (1) provided by section 4(b) of this Act or (2) authorized under law in the case of



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any information directly relating to the violation of any criminal law of the United States by such recipient or beneficiary.

## INDEPENDENCE FROM EXECUTIVE CONTROL

Sec. 8. (a) Determinations made by the Director and the Council in the discharge of their functions under this Act shall not be subject to review or control by the President or by any other department, agency, officer, or employee of the Government.

(b) The provisions of subchapter II of chapter 5 of title 5, United States Code (relating to administrative procedure), and of chapter 7 of such title (relating to judicial review), shall not apply with respect to the exercise by the Director or the Council of their functions under this Act.

## APPROPRIATIONS

Sec. 9. There are hereby authorized to be appropriated to the Foundation such sums as may be necessary to carry out the purposes of this Act, except that the aggregate of such sums appropriated prior to June 30, 1972, shall not exceed \$100 million. Sums appropriated under this section shall remain available until expended.

## EXHIBIT 2

[From the New York Times, Dec. 18, 1967]  
PANEL ON CIA SUBSIDIES DIVIDED OVER ALTERNATIVES

(By Robert H. Phelps)

WASHINGTON, December 17.—The committee set up to propose a plan for openly financing voluntary organizations once secretly supported by the Central Intelligence Agency is divided so sharply that it cannot meet the Dec. 31 deadline for reporting to the President.

The study panel, headed by Secretary of State Dean Rusk, has narrowed its choice to four plans. These range from a stopgap appropriation that would help some of the organizations carry on their work next year to the establishment of a semi-public independent organization that would take over many of the overseas academic and cultural activities now under other agencies.

While the committee will meet again in January, the division among the 18 members is so deep that there is little hope of agreement. As a result, the problem is expected to be tossed back to the White House without a clear-cut decision.

Most Congressional members, feeling the need for economy, favor the least costly of the four plans. Under this proposal, known as Alternative I, up to \$5-million would be appropriated, probably to the State Department, for the fiscal year beginning next July 1.

## BACKED BY REPRESENTATIVES

This money would be used to finance the neediest of the student, religious, union, cultural and other groups subsidized for years by the C.I.A. to counter Communist influence abroad.

At a recent meeting, the four House members of the panel gave their support to Alternative I. They were George Mahon, Democrat of Texas; L. Mendel Rivers, Democrat of South Carolina; Thomas Morgan, Democrat of Pennsylvania, and Frank Bow, Republican of Ohio.

After the House members announced their support, Senator Carl Hayden, Democrat for Arizona, said the Senate would go along with the House. However, not all the Senators on the committee agree.

Some of the Senators and many of the private members of the panel favor the most ambitious of the four plans. Under this proposal, known as Alternative IV, a quasi-public commission of 15 to 29 members would be set up. It would receive about \$25-million to finance what the panel members call the "C.I.A. orphans"—the voluntary groups formerly subsidized in secret.

This proposed agency would also take over the State Department's academic and cultural exchange program, which supervises Fulbright scholarships, performances abroad of American orchestras and plays, seminars and courses in American studies, and other projects.

The agency would also assume control of the libraries now operated by the United States Information Agency and handle grants now made by the Agency for International Development to colleges and hospitals for projects abroad.

## COST \$50 MILLION A YEAR

The programs of these other agencies cost more than \$50-million a year.

To protect the proposed commission from possible charges of being a tool of American foreign policy, the plan calls for the new agency to be operated independently of the Government. A majority of the members would be from private life and the commission would have a permanent staff abroad. But Congress would have to appropriate funds for the commission, although it could receive money from private foundations.

This plan is being vigorously pushed by Dr. Milton Eisenhower, former president of the Johns Hopkins University; Dr. Herman B. Wells, chancellor of Indiana University, and Paul R. Porter, a Washington lawyer and former chairman of the Federal Communications Commission.

Mr. Porter commented in a telephone interview that the subsidization of voluntary organizations had accomplished so much for so little money that, in a way, it was "too bad the C.I.A. got caught." But, he said, the subsidy program should be strengthened and the best way of doing this is to put all the programs under a "single protective umbrella."

## SUPPORTED BY FULBRIGHT

Senator J. W. Fulbright, Democrat of Arkansas, the chairman of the Senate Foreign Relations Committee, also favors Alternative IV, on the basis that detachment of the program from foreign policy concerns would improve the American image abroad.

Budget Director Charles Schultze, however, favors a gradual approach. Cattel Alternative III, his plan would set up a quasi-public commission but give it only authority to make grants to the "C.I.A. orphans." The other programs would continue under the State Department, U.S.I.A. and AID.

Dr. Frank A. Rose, president of the University of Alabama, commented that while he favored Alternative IV, he thought that the present need for economy in Government made Alternative III the wisest choice now. The other programs could be brought in later, he said.

But Dr. Eisenhower insisted, in a telephone interview, that if only the previous functions were going to be included, then "unfortunately the effort would be discredited before it began."

One fear is that there would be competition for funds between the proposed agency and the cultural unit of the State Department, the information agency and the aid agency.

"All the other outfits would have their knives out for the new commission," one foe of Alternative III commented.

The other proposal, Alternative II, would make the subsidization of the voluntary organizations a part of the foreign aid program. There has been little support for this idea, however.

President Johnson set up the Rusk committee last spring after directing the C.I.A. to end covert financing of private voluntary groups. He acted after disclosures that the intelligence agency was supporting private voluntary organizations engaged in overseas programs. The amount of yearly subsidies by

the C.I.A. has never been disclosed, but one informed guess is \$15-million a year.

With Dec. 31 as the cutoff date for such C.I.A. subsidies, the Rusk committee once considered asking Congress for a supplementary appropriation to help some of the voluntary organizations during the period when there will be no Federal program.

One of the organizations that is said to need assistance is the Asia Foundation, which provides technical assistance to underdeveloped countries, aids in the establishment of rice cooperatives and helped write the South Korean Constitution.

A strong supporter of the subsidy program said he believed that the C.I.A. had "thrown a little fat" into its grants in recent months to tide some voluntary organizations over.

The subsidies are difficult to trace because they are often hidden in grants from foundations to the voluntary group.

[From the Washington Post, Dec. 19, 1967]  
CIA SUBSIDIES STUDY REACHES NO DECISION

(By Richard Harwood)

When the Central Intelligence Agency's secret philanthropies were discovered last spring, President Johnson's response was to appoint a study committee.

It was headed by Under Secretary of State Nicholas deB. Katzenbach and it recommended that still another study committee be appointed because of the "considerable complexity" of the problem.

The President agreed and the new committee was formed with Secretary of State Dean Rusk as its chairman. It was a "consensus" group that included Senators and Representatives, young men and old men, Democrats and Republicans, academicians and businessmen, thinkers and doers. Its assignment was to figure out how the government of the United States could do publicly what the CIA had been doing covertly, which was to subsidize the overseas activities of countless religious, cultural, labor, and scholarly organizations.

## NOTHING DECIDED

In the nine months that have passed, the Committee had decided nothing except that there are at least four ways for the Government to hand out money to the CIA's former clients—through the State Department (Plan 1), through the foreign aid program (Plan 2), through a new "quasi-public" corporation with limited responsibilities (Plan 3), or through a "quasi-public" corporation with very broad responsibilities (Plan 4).

One reason for the Committee's failure to come to a decision is that it has spent very little time on the job. There have been only three meetings of substance since March. The last one, according to Dr. Milton Eisenhower of Johns Hopkins University, was held three months ago.

"We are all," said another committee member, Dr. Frank Rose, president of the University of Alabama, "very busy men. The Secretary of State is very busy. So is the Budget Bureau (whose director, Charles Schultze, is a committee member, and whose international programs man, James Clark, is the committee's executive director)."

## NO SENSE OF URGENCY

Senator Milton R. Young, one of the congressional Republicans on the panel, has been so busy that he hasn't "been to a one of those meetings" and isn't sure what is going on.

Another reason for the inaction is the general feeling that, as Rose put it, "there's no sense of urgency about this. No deadline or anything of that kind." A State Department official on Rusk's staff used the phrase "no in-built deadline" which was interpreted by Clark at the Budget Bureau to mean no "external" deadline fixed by the President or by Rusk.

Sen. J. William Fulbright (D-Ark.) was under a different impression. He thought

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he and his fellow committeemen were expected to come up with a plan by Dec. 31, which is the date the CIA expects to cut off its covert subsidies. "But I guess," said Fulbright yesterday, "that deadline has been dropped."

## DEADLOCK REPORTED

A third explanation for the position in which the committee finds itself at Christmastime is that it is hopelessly deadlocked over what should be done.

This is denied by Rose, Eisenhower and men in the Administration who prefer anonymity. Fulbright, however, reports that there are rather substantial disagreements and Young has heard rumors to the same effect.

One faction, "highly oriented toward the military," as Fulbright puts it, is represented by three House members on the committee—George Mahon (D-Texas), L. Mendel Rivers (D-S.C.), and Frank Bow (R-Ohio). They favor the inexpensive Plan 1 (about \$5 million a year) which would be administered by State.

Fulbright, Eisenhower and Rose favor the more ambitious Plan 4 which would involve new funds of about \$25 million a year, would extend subsidies to groups presently unsubsidized, and would take over some of the cultural and information programs presently administered by State, USIA, and AID.

Schultze, presumably speaking for the President and Rusk, favors Plan 3, and does not favor taking any programs away from existing agencies.

Plan 3 would be cheaper than Plan 4 and for that reason Rose is willing to go along with it "in view of the budget squeeze."

In reply, the Administration says money is no problem.

The panel, in any case has come to no decision which means that some of the CIA's secret beneficiaries may begin the New Year with pinched budgets.

"But there's no real problem," says Dr. Rose. "All we have to do is sit down and come to a conclusion."

That effort will be made again in January.

## THE FIVE OUTSTANDING YOUNG MEN OF MARYLAND

Mr. BREWSTER. Mr. President, each year, junior chamber of commerce chapters throughout Maryland select the five outstanding young men of the year. Each of these men is the recipient of the outstanding young man or distinguished service award in his own community.

Selection is based on achievements in his business or profession as well as service to his community. The quality of these accomplishments is demonstrated in the sketches of each nominee contained in the program of the final awards banquet.

Mr. President, I ask unanimous consent that the descriptive sketches of the five outstanding young men of Maryland be printed in the Record.

There being no objection, the sketches were ordered to be printed in the Record, as follows:

Thomas E. Embree, Greater Elkton, age 21, Instructor, Service School Command, USNTO, Bainbridge. In addition to his military duties, this young man finds time to serve his community and state. He is currently President of the Cecil County Council of P.T.A.s and has served as a member of the State Board of Managers of the Maryland Congress of Parents and Teachers. He was a member of the Policy Advisory Committee for the Headstart Project of the Cecil County Board of Education. He is a former vice president and international director of the Maryland Jay-

cees and was selected for inclusion in the 1968 edition of "Outstanding Young Men of America."

Werner H. Fornos, Annapolis, Age 34, Management Consultant, Werner Fornos and Associates. This newly elected representative in the Maryland House of Delegates ended his freshman session as a guiding force in the General Assembly. His work in the Ways and Means Committee and his political knowledge led to his appointment to the Legislative Council's Committee on Legislative Organization. He was selected as a delegate to the Maryland Constitutional Convention from Anne Arundel County and was cited as being among the progressive leaders of the Convention. He is finance chairman for the Committee for a Beautiful Annapolis, Chairman of the Promotion's Committee of the Annapolis Fine Arts Festival and a member of the Board of Trustees of the Davidsonville Methodist Church. In 1966, he was awarded the Distinguished Citizen's Award by the Governor of Maryland.

Michael P. Goodrich, Severna Park, Age 32, General Agent, Northwestern Mutual Life Insurance Company. The youngest general agent ever appointed by his company, Mike has many accomplishments to his credit in his young career. He is a member of the Million Dollar Roundtable for the fifth consecutive year and his company honors include the "Top Twenty" in production for the past two years. He received his CLU degree in 1967. Active in community life, he is the author of a five year development plan for the Pasadena Methodist Church. He holds a Local Minister designation in the Methodist Church. Mike is the president of the Folger McKinley School P.T.A. and was the charter treasurer of the Severna Park Jaycees.

William D. Greene, Jr., Crescent Cities, Age 26, Supervisor, Program Planning Control Data Corporation. While keeping pace with his position and furthering his education, Bill is active in community service. He is a member of the Crescent City Jaycees and his performance has won for him every competitive award within the Jaycee organization. He is chairman of a building project to construct a 2½ million dollar sports park for the Boys' Clubs of Prince Georges County. The project won the Maryland Jaycee Community Development Award for 1967. Bill is president of the Prince George's Coordinating Council of Jaycee Chapters and in a short time has turned an almost defunct organization into an effective instrument of Jaycee activity. He is a supervisor of a group responsible for the Polaris training planning and has achieved status as one of the leaders in his career field.

Robert M. Lawrence, Salisbury, Age 35, President, Lawrence Volkswagen, Inc. A quiet, unassuming young man, Bob is one of the most active individuals in his community. In 1967, he conceived, coordinated, and underwrote the expense of a program to stimulate business in the community. Entitled "Business is Great in Salisbury," the program was very successful. It became a household phrase and boosted morale in the community. Bob was chairman of the 1967 Cancer Crusade in the county, chairman of the Industrial Development Committee of the Chamber of Commerce and a Director of the Delmarva YMCA. Active in the Faith Lutheran Church, Bob was chairman of the Building Fund Committee, and through his efforts and initiative, the church has a new building. He teaches in the Sunday School and is a member of the Church Council. In 1964, he purchased control of Lawrence Volkswagen, Inc. and was the youngest franchise operator in the United States.

## FREE PRESS, FAIR TRIAL

Mr. LONG of Missouri. Mr. President, yesterday, the American Bar Association,

meeting in Chicago, adopted new rules of conduct for lawyers and new procedures for judges designed to restrict the release of crime news to the press.

As a lawyer, and as a subcommittee chairman concerned not only with legal problems but also information problems, I feel compelled to urge a note of caution on this subject. The problem of balancing the first amendment—which guarantees a free press and free access to information—and the sixth amendment—which guarantees a fair trial—is certainly not an easy one. But neither is the problem a new one. The very same American Bar Association which yesterday adopted the new guidelines, many years earlier considered identical issues as a result of the famous Bruno Hauptmann-Lindbergh kidnaping case. Thus, as lawyers, we have lived with the delicate balance problem for a long time.

According to an article which appeared in this morning's New York Times, written by Fred P. Graham, the distinguished law editor of the Times:

The impact of (the ABA's) action will not be immediately apparent to newspaper readers across the country, because it amended only the rules of ethics of the national bar group and not those of state bar associations, which handle most lawyer discipline matters.

But, Mr. Graham suggests that the ABA approval is "expected to touch off a wave of similar actions by State bar associations."

Mr. President, a strong plea was raised by responsible representatives of the newspaper industry at yesterday's ABA meeting, to delay any action for 1 year. This request for delay, in my opinion, was not a dilatory tactic. Rather, it was based on a number of factors.

First, this country is experiencing a tragic and increasing crime wave. The function of a free press to inform the public of such a crime wave not only alerts us to the many dangers, but also keeps the responsible law enforcement officers on their toes. Additionally, often the report of capture of a heinous criminal relieves community tensions and dispels community fears.

Second, the American Newspaper Publishers Association is presently conducting a study of the effects of publicity on juries, and it would have been desirable for the results of this study to be available to the bar association members considering the current action.

A third valid reason for delaying the ABA action, in my opinion, is the fact that voluntary agreements have been worked out in several States by bar and press groups on the subject of pretrial and trial publicity. From what I understand, these agreements have been successful.

Accordingly, I can only express the hope that the State bar associations across this country, including my own bar association of the State of Missouri, will heed the pleas of the newspaper profession, and will not jump on the bandwagon of arbitrarily curtailing crime news.

At the Federal level, we have yet another aspect to this problem. On July 4, 1966, President Lyndon Johnson signed into law the Freedom of Information Act. As chairman of the Subcommittee on

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Administrative Practice and Procedure, charged with legislative oversight of this act, I intend to continue to encourage Federal Government agencies to abide both by the spirit and letter of this Freedom of Information Act. Accordingly, I do not feel that it would be in the best interests of the American public at this time to adopt the ABA guidelines as the policy of the Federal Government. The Subcommittee on Administrative Practice and Procedure will hold hearings shortly to review the operations of the FOI Act. At that time, we will also consider the American Bar Association guidelines.

Mr. President, I ask unanimous consent to insert, at this point in the RECORD, the article by Fred Graham.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

NATIONAL BAR ADOPTS STANDARDS TO  
CURB RELEASE OF CRIME NEWS

(By Fred P. Graham)

CHICAGO, February 19.—The American Bar Association approved today new rules of conduct for lawyers and new procedures for judges designed to restrict the release of crime news to the press.

It acted over the objections of news media officials who had warned that the move would hinder nonprejudicial press coverage and could prevent full public discussion of rising crime patterns.

The action was taken by the bar association's policy-making body, the House of Delegates, which today opened its two-day mid-winter meeting at the Palmer House here.

The House of Delegates voted overwhelmingly to adopt the recommendations of the controversial "Reardon Report."

The report is the product of a three-year study by the association's Advisory Committee on Fair Trial and Free Press, headed by Justice Paul C. Reardon of the Supreme Judicial Court of Massachusetts. It sets out detailed rules aimed at sharply curtailing the flow of information about arrested persons that is made available to the press in most communities.

The report was approved by a strong voice vote—only a few noes were heard—after the group voted 176 to 68 against a proposal by the news media to delay any action for a year.

The impact of today's action will not be immediately apparent to newspaper readers across the country, because it amended only the rules of ethics of the national bar group and not those of state bar organizations, which handle most lawyer discipline matters.

However, the approval is expected to touch off a wave of similar actions by state bar associations, which would mean that lawyers in these states could be disbarred if they gave the press more information than the new standards allow.

Also, much of the Reardon report consists of suggested rules for judges to follow in preventing the police and lawyers from giving what might be considered prejudicial information to the press, and in barring newsmen from certain hearings.

In most states, trial judges can adopt these rules on their own volition. Some have already done so, and now that the American Bar Association has given the rules its blessing, many more local judges are expected to put the news restrictions into effect despite opposition from local news media.

Today's action accomplishes four basic results.

First, it amends the Bar Association's canons of ethics, subject to the formality of drafting the exact wording, to declare it unethical for any prosecutor or defense lawyer to tell the press anything about a pending case except basic identifying facts about the

defendant and the circumstances surrounding the arrest.

Lawyers are specifically forbidden to mention a defendant's prior record of arrests or convictions, to say whether he made a confession, to divulge the results of any tests or the identity of witnesses, or to make any other suggestions about the possible guilt of the accused.

THE POLICE EXHORTED

Second, the report urges police departments to impose similar restrictions on their members, and calls upon judges to use their contempt powers to enforce the restrictions on both lawyers and the police, if necessary.

Third, it calls upon courts to adopt the report's judicial standards, which would make it easier for defendants to get trial delays or transfers to other communities and to keep potentially prejudiced jurors off jury panels.

These standards would also bar the press and the public from pre-trial hearings and from any part of a trial held outside the presence of the jury, if the defense lawyer or the judge felt that coverage might prevent a fair trial.

Fourth, it gives judges the power to punish newsmen for contempt if they publish articles during the course of a trial that are willfully designed to affect the outcome.

In many communities now, the police disclose the conviction or arrest records of arrested persons and give such information as the apparent motive. This pattern of disclosure would not be permitted in any jurisdiction that adopts the new standards.

FINAL PLEAS HEARD

Before the vote today the bar delegates heard final pleas for a delay from D. Tennant Bryan, publisher of The Richmond Times-Dispatch and The Richmond News Leaders, who was a spokesman for the American Newspaper Publishers Association; Michael J. Ogden, executive director of The Providence Journal and The Providence Bulletin, who is president of the American Society of Newspaper Editors; and Theodore Koop, a vice president of the Columbia Broadcasting System, who is chairman of a committee that represents eight more news media groups.

They said there was a need for full public scrutiny of the phenomenon of rising crime and added that voluntary agreements between bar and press groups in a half-dozen states had been successful.

They also pointed out that the American Newspaper Publishers Association was conducting a study of the effects of publicity on juries, and argued that the lawyers should not act on the Reardon report before all the evidence was in.

However, many leaders of the association spoke out for an immediate decision.

They included Chief Judge J. Edward Lumbard of the United States Court of Appeals for the Second Circuit, in New York, who heads the parent committee that sponsored the Reardon study; William T. Gossett of Detroit, the president-elect of the bar association; Earl F. Morris of Columbus, Ohio, the incumbent president; and two former bar presidents, Lewis F. Powell of Richmond and Ross L. Malone of New York.

OTHER REPORTS APPROVED

The 190-member House of Delegates also approved five other reports from subcommittees of Judge Lumbard's Special Committee on Minimum Standards for the Administration of Criminal Justice.

Four of these were approved with little debate. They urge states to adopt post-conviction review procedures as a normal part of the criminal process; endorse the theory of plea-bargaining between prosecutor and defense lawyers for guilty pleas, under proper safeguards; call for the outright dismissal of charges when a speedy trial is denied; and ask for free lawyers for poor defendants in all cases that might result in jail sentences.

The delegates voted to change a fifth re-

port, which had urged that appellate judges be given the power to reduce harsh prison sentences. The delegates instead approved a rule that would permit appeal judges also to raise sentences that they found too lenient.

SENATOR ALBERT GORE AD-  
DRESSES BORAH FOUNDATION

Mr. CHURCH. Mr. President, the distinguished Senator from Tennessee [Mr. GORE] recently delivered an address of unusual importance at the University of Idaho, which was the climax of a 3-day conference on American foreign policy, conducted under the auspices of the Borah Foundation.

The address is an eloquent expression of the frustration and futility which inevitably accompanies the frantic effort we are now making to adapt the world to the realities of our current foreign policy, rather than adapting our foreign policy to the realities of the world.

I commend the address to the thoughtful consideration of Senators and ask unanimous consent that it be printed in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

ADDRESS OF SENATOR ALBERT GORE, BORAH FOUNDATION SYMPOSIUM ON VIETNAM, UNIVERSITY OF IDAHO, MOSCOW, IDAHO, FEBRUARY 17, 1968

The receipt of your invitation to participate in this symposium with such distinguished and eminent Americans on the subject of Vietnam was exhilarating. The moment of my participation is far more sobering than exhilarating. Indeed, I venture my views somewhat timidly, but in the hope that a searching public analysis and debate of the present, such as you have had, may possibly be of some assistance in shaping the momentous decisions in the days and months ahead.

It is with regret and disappointment that I note the absence of an incisive public dialogue between the President and the Senate, through their selected agents, in particular the Secretary of State and the Senate Foreign Relations Committee. The most vital thing to a democracy, without which a democracy cannot function or survive, is an informed, enlightened, alert, and interested public opinion. A nation, its government, and its policies can be only so wise, only so sound, only so progressive, and only so secure as the people are informed on and interested in public issues. Our form of self government, in my view, requires the maximum public dialogue between the executives of our government and the elected representatives of the people. The President and the Senate, in my view, share equally the responsibility to conduct an informed and incisive examination of foreign policy so that the people can understand our policies and the objectives of policy, form an opinion as to whether these objectives are reasonable and attainable at acceptable risks and costs, assess the probable consequences and possible alternatives. There is no justification for a lack of public dialogue at this crucial hour. Unless a policy can withstand the light of public examination, then a change in policy is indicated.

Free debate is necessary for a free society; for it is through debate that the truth is distilled and the truth shall make a nation free.

True, the President is our nation's leader in foreign policy, but he cannot lead very far where the elected representatives of the people will not follow. The Constitution places the Congress, more particularly the Senate, and the President in a position of